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Report to the Legislature

MONTANA CENTER FOR THE AGED

Report on the Examination
of the Financial Statements
Two Fiscal Years Ended June 30, 1982

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STATE OF MONTANA

Report to the Legislature

MONTANA CENTER FOR THE AGED

Report on the Examination
of the Financial Statements
Two Fiscal Years Ended June 30, 1982

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

DEPARTMENT OF INSTITUTIONS

Carroll South	Director

MONTANA CENTER FOR THE AGED

Gerald F. Butcher	Superintendent
David Clark	Business Manager

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Center for the Aged and the Department of Institutions are included in the back of this report.

		Page
1A	Record and maintain adequate documentation for all entries to the resident account system.	5
	Agency Reply: Concur. See page 24.	
1B	Continue to reconcile the resident checking account with bank records monthly.	5
	Agency Reply: Concur. See page 24.	
1C	Resolve and document funeral refunds.	5
	Agency Reply: Concur. See page 24.	
2	Monitor appropriation balances more closely to avoid exceeding appropriation authority.	6
	Agency Reply: Concur. See page 24.	
3A	Compare SIMS listing to supporting documentation to ensure all additions and deletions are properly recorded.	7
	Agency Reply: Concur. See page 24.	
3B	Keep adequate records on file showing that assets deleted were properly disposed of in accordance with state policies.	7
	Agency Reply: Concur. See page 24.	
3C	Record donated assets at their fair market value in accordance with generally accepted accounting principles.	8
	Agency Reply: Concur. See page 24.	

SUMMARY OF RECOMMENDATIONS (Continued)

		Page
3D	Reconcile the SIMS records to the center's accounting system and make any necessary corrections.	8

Agency Reply: Concur. See page 24.

4	Department of Institutions, Central Office, establish procedures to ensure all prescription charges are billed.	9

D of I Reply: Concur. See page 25.

5	Account for donations in a special revenue fund.	9

Agency Reply: Concur. See page 25.

6	Evaluate all available options and correct the malfunctioning fire alarm system using the most effective and economical option.	11

Agency Reply: Concur. See page 25.

INTRODUCTION

We performed a financial/compliance audit of the Center for the Aged (center) for the two fiscal years ended June 30, 1982. The objectives of the audit were to: (1) determine if the center's financial statements present fairly the financial position of the various funds for the two fiscal years ended June 30, 1982; (2) determine center compliance with applicable laws and regulations which could have a significant effect on the financial statements; and (3) make recommendations for improving center management and internal controls.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in the report. Each report section discloses the cost, if significant, of implementing the recommendation.

We thank the center's and the Department of Institutions' officials and staff for their cooperation and assistance during our audit.

BACKGROUND

The Center for the Aged at Lewistown is a state-operated facility for the care of the aged with aging related diseases, who are experiencing mental disabilities requiring a level of care not otherwise available in the community. Residents must be at least 60 years of age, ambulatory, and not in need of intensive nursing care. The majority of residents are transfers from Warm Springs State Hospital, with the remaining residents being referrals from mental health agencies.

The center currently employs a staff of 105 FTEs (full-time equivalents) with one of the FTEs being made up of various residents who perform part-time jobs. The center has the capacity to house 199 residents. Occupancy currently runs at about 92 percent of capacity.

Resident care and maintenance expenditures are charged against the state General Fund. As required by state statutes, residents are billed for care and maintenance based on their ability to pay. Amounts received are recorded as revenue to the General Fund. The billing and collection for care and maintenance is maintained by the Department of Institutions, Reimbursement Section, in Helena.

The center's operation is funded each year through a General Fund appropriation. Appropriations for fiscal years 1980-81 and 1981-82 amounted to approximately $1.7 million and $2.1 million, respectively. The center also received appropriations of approximately $7,100 and $9,500 for fiscal years 1980-81 and 1981-82, respectively, for the operation of a canteen for the residents.

The center's primary accounting records are maintained on the Statewide Budgeting and Accounting System (SBAS). The center maintains detailed records of supply inventories and fixed assets on the Supply Inventory Management System (SIMS). Resident account records are maintained on the Resident Account System and resident care and maintenance records are maintained on the Automated Billing and Accounts Receivable System (ABARS). Information from these systems is utilized to record the systems' activities on SBAS.

PRIOR AUDIT RECOMMENDATIONS

The previous audit of the Center for the Aged for fiscal year 1979-80 contained eleven recommendations which are still applicable to the center's operations. We determined that the center implemented ten of those recommendations and partially implemented one. That portion of the prior recommendation not implemented is discussed in the body of this report under the Plant, Property, and Equipment section.

RESIDENT ACCOUNTS

Checking Accounts

The center maintains a checking account for the residents in which resident income (Social Security, pension checks, etc.) is deposited and checks are written for resident expenses. The majority of resident expense is for care and maintenance charges billed to residents through the Department of Institutions, Reimbursement Section. The remaining expenses consist of purchases made by or for the residents.

During the audit period, the center had inadequate documentation and internal control procedures over the handling and reconciliation of resident moneys. Prior to January 1982, the center was unable to properly reconcile the resident account balances to the bank's balances. The center's records indicated the residents had more money in the account than the bank showed. The unreconciled balance was as high as $5,095 at June 30, 1981. During the following months of July and August, the center made unsupported adjustments to the resident account records to eliminate the unreconciled difference. There was no documentation which explained how

or why the adjustments were made. At the end of August 1981, the center had reconciled resident accounts to within $225. This difference remained unreconciled each month until the center eliminated it in January 1982, with a charge to an overage/shortage account. The center has reconciled the account since then.

Burial Accounts

Prior to April 1982, residents had individual savings accounts in a local bank which were reserved for paying burial expenses. The center and the funeral homes had an arrangement prior to May 1981, where the funeral homes would charge only what the resident had in the burial trust account. Residents with no money were not billed while residents with money were billed for the full amount of their account, even if the cost of the funeral was less. Under this arrangement, residents who had more than enough money to cover funeral expenses were subsidizing those residents who did not have enough.

Subsequently, in May 1981, the center paid burial expenses for residents who had insufficient burial accounts from its operating budget. The practice of charging burial expenses for the amount in a resident's burial trust account was stopped in April 1981. Residents who died with a burial trust account had their entire account transferred to the funeral home. Moneys in excess of the burial expense were refunded to the center. Refunds were made in cash.

In four out of ten cases examined, where the center transferred resident moneys in excess of the funeral charges, we could not find documentation of refunds received from the funeral homes.

In these four instances, the center should have received refunds totaling $655. We contacted the funeral homes to see if they had documentation of these refunds. One funeral home said that they did not have any documents of payment and, while the other home said they did have evidence of payment, they were unable to produce evidence for the particular refund in question. The center has not followed up to collect these refunds.

The use of burial trust accounts was discontinued in March of 1982, approximately one year after the Department of Social and Rehabilitation Services ruled that the burial accounts would be considered available assets in determining Medicaid/Medicare eligibility. The center then had a burial insurance policy purchased for residents with available funds. The insurance company now handles the funeral payments.

RECOMMENDATION #1

WE RECOMMEND THE CENTER:

A. RECORD AND MAINTAIN ADEQUATE DOCUMENTATION FOR ALL ENTRIES TO THE RESIDENT ACCOUNT SYSTEM.

B. CONTINUE TO RECONCILE THE RESIDENT CHECKING ACCOUNT WITH BANK RECORDS MONTHLY.

C. RESOLVE AND DOCUMENT FUNERAL REFUNDS.

APPROPRIATIONS

Overspending

State law prohibits state agencies from exceeding their spending authority. We noted an instance where the center transferred

an expense from the canteen fund to the General Fund appropriation in order to avoid overspending their canteen appropriation authority.

During fiscal year 1981-82 the center overspent the appropriation for the canteen by $106. The Accounting Division of the Department of Administration informed the center that it had exceeded the appropriation and must correct the negative balance. Center employees explained since the amount was small and it was near the end of the fiscal year, they decided not to request a budget amendment. The expense was transferred out of the canteen fund into the General Fund. The items purchased were for resale through the resident canteen, therefore, the expense transfer was an improper use of General Fund moneys.

RECOMMENDATION #2

WE RECOMMEND THE CENTER MONITOR APPROPRIATION BALANCES MORE CLOSELY TO AVOID EXCEEDING APPROPRIATION AUTHORITY.

PLANT, PROPERTY, AND EQUIPMENT

When we examined items and records pertaining to equipment and fixed assets, we found a number of discrepancies concerning the accounting function of those records.

The Center for the Aged maintains its equipment and fixed asset records on the Department of Institutions' Supply Inventory Management System (SIMS). The total amount on the SIMS listing is recorded on the center's accounting system (SBAS) at fiscal

year-end. During our testing of this system we noted the following problems:

1. Items costing $897 and $135 were valued on SIMS at $8,970 and $1,350, respectively.

2. Two deleted items out of five tested did not have the required documentation showing they were sent to Surplus Property.

3. Three items, including a 1976 Plymouth station wagon, were not recorded on SIMS.

4. Donated items are recorded at a zero value. Generally accepted accounting principles require donated assets to be recorded at their fair market value at the time the item is received.

5. The amounts recorded on SBAS have not been reconciled to amounts shown on the SIMS listing. When comparing the building and equipment records to the amounts on SBAS, we found that SBAS was overstated by approximately $51,000. The reconciliation was a prior audit recommendation with which the center concurred.

The problems noted above indicate a general weakness in the center's accounting and control over its fixed assets. The center should strengthen controls to ensure the proper recording and safeguarding of its assets.

RECOMMENDATION #3

WE RECOMMEND THE CENTER:

A. COMPARE SIMS LISTINGS TO SUPPORTING DOCUMENTATION TO ENSURE ALL ADDITIONS AND DELETIONS ARE PROPERLY RECORDED.

B. KEEP ADEQUATE RECORDS ON FILE SHOWING THAT ASSETS DELETED WERE PROPERLY DISPOSED OF IN ACCORDANCE WITH STATE POLICIES.

C. RECORD DONATED ASSETS AT THEIR FAIR MARKET VALUE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

D. RECONCILE THE SIMS RECORDS TO THE CENTER'S ACCOUNTING SYSTEM AND MAKE ANY NECESSARY CORRECTIONS.

REIMBURSEMENTS

During our testing of billings to residents for prescription drugs we determined that: 1) not all drugs were charged to residents; 2) not all charges were recorded at the correct amount; and 3) some drugs did not have a price and were never billed to the residents. The above findings show that the state of Montana is losing an undetermined amount of revenue through reduced Medicaid reimbursements and resident payments due to improper or non-billing of prescriptions.

Each month a listing of drugs dispensed for residents at the center is sent to the Central Office of the Department of Institutions in Helena. The charges are entered on the Automated Billing and Accounts Receivable System (ABARS). On a monthly basis the ABARS produces a billing for each resident which is either billed directly to the resident or to Medicaid.

We found in our testing that one out of ten prescription charges was not entered on ABARS. One out of ten drugs entered on ABARS was recorded at the wrong price and four out of ten had no price entered. We traced these unpriced charges through to the following month's billing and found they had been dropped

from the system and were never charged. These problems indicate there is a weakness in the Department of Institutions' billing system that should be corrected to reduce the loss of revenues.

RECOMMENDATION #4

WE RECOMMEND THE DEPARTMENT OF INSTITUTIONS, CENTRAL OFFICE, ESTABLISH PROCEDURES TO ENSURE ALL PRESCRIPTION CHARGES ARE BILLED.

DONATIONS

The center expended $2,735 and $1,220 out of the donation's accounting entity during fiscal years 1980-81 and 1981-82, respectively.

Periodically, donations are made to the center from private individuals. The donors request that the moneys are to be spent for the benefit of residents at the center's discretion. Since the donations are state moneys not belonging to individual residents, they should be classified as state moneys in the center's Special Revenue Fund. The donations account is currently classified as an Agency Fund on SBAS.

RECOMMENDATION #5

WE RECOMMEND THE CENTER ACCOUNT FOR DONATIONS IN A SPECIAL REVENUE FUND.

FIRE ALARM SYSTEM

Malfunctions of the center's fire alarm system pose a threat to residents according to center employees, and cost the state over $900 in fire department charges during calendar year 1982.

The fire alarm system at the center has been a problem since installation was completed in fiscal year 1976-77. The main causes for system malfunctions are attributed to activation of the system by: 1) nicotine build up caused by tobacco smoke, and 2) lightning from summer storms. The center has reduced malfunctions by periodically cleaning the smoke detector heads of nicotine buildup. Lightning-caused malfunctions continue to be a problem.

Fire department records indicated the department responded to 41 alarms between January and December 1982, of which 19 were attributed to malfunctions. The Lewistown Fire Department charged the center for 13 of these malfunctions for a total of $979.

The center has made several efforts to correct the malfunctioning system. In February 1983, as a result of a recommendation made by the Architectural and Engineering Division of the Department of Administration, the center had the system evaluated by a company specializing in fire and security systems. The results and available options of the evaluation are not yet available.

Because the false alarms continue on a regular basis, employees and residents may not react to an emergency situation as quickly as possible. This situation increases the risk to employees, residents, and state property.

The center estimates it will cost approximately $10,300 to evaluate and correct the malfunctioning fire alarm system.

RECOMMENDATION #6

WE RECOMMEND THE CENTER EVALUATE ALL AVAILABLE OPTIONS AND CORRECT THE MALFUNCTIONING FIRE ALARM SYSTEM USING THE MOST EFFECTIVE AND ECONOMICAL OPTION.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59620
406/449-3122

ROBERT R. RINGWOOD
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
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FINANCIAL/COMPLIANCE AUDITS
SCOTT A. SEACAT
PERFORMANCE AUDITS
STAFF LEGAL COUNSEL
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the Combined Balance Sheet - All Fund Types and Account Groups of the Montana Center for the Aged as of June 30, 1982 and the related Combined Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Special Revenue Fund Types for each of the two fiscal years then ended. Our examination was made in accordance with generally accepted governmental auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Center for the Aged did not allow for uncollectible receivables in the General Fund from billings made to residents and/or outside parties for resident care. In our opinion the amount of uncollectible accounts is material.

In our opinion, except for the effects of the matter discussed in paragraph two, the financial statements referred to in the first paragraph present fairly the financial position of the Center for the Aged as of June 30, 1982 and the results of its operations for each of the two fiscal years then ended, in conformity with generally accepted accounting principles, which except for the change, with which we concur, in classifying donations as described in footnote 8, have been applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal Grant - Two Year Period Ending June 30, 1982, is presented for additional analysis and disclosure purposes in compliance with "Guidelines for Financial and Compliance Audits of Federally Assisted Programs" and is not a required part of the combined financial statements for the Montana Center for the Aged. This additional information has been subjected to the auditing procedures applied in the examination of the combined financial statements referred to in paragraph one and, in our opinion is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Respectfully submitted,

James H. Gillett, CPA
Deputy Legislative Auditor

January 21, 1983

Approved:

Robert R. Ringwood
Legislative Auditor

MONTANA CENTER FOR THE AGED
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1982

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP
	General	Special Revenue	Agency	General Fixed Assets
ASSETS				
Cash	$ 500	$15,955	$720,439	
Accounts Receivable	873,740	106		
Supplies Inventory	125,851	2,394		
Expense Advance to Employees	118			
Dishonored Checks	14			
Land and Buildings				$2,326,718
Equipment				221,917
Available to Pay Current Liabilities	184,856			
Total Assets	$1,185,079	$18,455	$720,439	$2,548,635
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts Payable	$ 105,390	$ 1,863	$655,432	
Deferred Revenue	746,566			
Accrued Expenditures	40,830			
Property Held in Trust			65,007	
Due to State General Fund	166,442			
Total Liabilities	1,059,228	1,863	720,439	-0-
FUND EQUITY:				
Reserve for Supplies Inventory	125,851			
Investment in General Fixed Assets				$2,525,904
Donated Fixed Assets				22,731
Fund Balance	-0-	16,592	-0-	
Total Fund Equity	125,851	16,592	-0-	2,548,635
TOTAL LIABILITIES AND FUND EQUITY	$1,185,079	$18,455	$720,439	$2,548,635

The accompanying notes are an integral part of this statement.

MONTANA CENTER FOR THE AGED
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1982

	GENERAL FUND			SPECIAL REVENUE FUND		
	Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
REVENUES:						
Care & Maintenance Service Fees	$1,376,759	$1,143,710	$(233,049)			
Sale of Documents, Merchandise and Property	-0-	15	15	$9,458	$10,909	$ 1,451
Donations				-0-	2,576	2,576
Miscellaneous	-0-	66	66	-0-	2,226	2,226
Federal Assistance				2,605	648	(1,957)
Total Revenues	1,376,759	1,143,791	(232,968)	12,063	16,359	4,296
EXPENDITURES:						
Resident Services	2,141,413	2,064,651	76,762	11,575	11,150	425
Total Expenditures	2,141,413	2,064,651	76,762	11,575	11,150	425
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(764,654)	(920,860)	(156,206)	488	5,209	4,721
Prior Year Adjustments	(7,895)	(7,895)	-0-	(1,225)	(1,225)	-0-
OTHER FINANCING SOURCES (USES):						
Support From (To) State General Fund	772,549	928,755	156,206			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	-0-	-0-	-0-	(737)	3,984	4,721
FUND BALANCE - July 1, 1981	-0-	-0-	-0-	12,608	12,608	-0-
FUND BALANCE - June 30, 1982	$ -0-	$ -0-	$ -0-	$11,871	$16,592	$ 4,721

The accompanying notes are an integral part of this statement.

MONTANA CENTER FOR THE AGED
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1981

	GENERAL FUND			SPECIAL REVENUE FUND		
	Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
REVENUES:						
Care and Maintenance Service Fees	$1,120,699	$1,026,473	$(94,226)			
Sale of Documents, Merchandise and Property	-0-	59	59	$10,800	$ 8,242	$(2,558)
Miscellaneous	-0-	84	84			
Federal Assistance				-0-	2,331	2,331
Total Revenues	1,120,699	1,026,616	(94,083)	10,800	10,573	(227)
EXPENDITURES:						
Resident Services	1,697,534	1,674,430	23,104	9,730	10,053	(323)
Total Expenditures	1,697,534	1,674,430	23,104	9,730	10,053	(323)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(576,835)	(647,814)	(70,979)	1,070	520	(550)
Transfer Out				(837)	(837)	-0-
Prior Year Adjustments	4,602	4,602	-0-	(1,708)	(1,708)	-0-
OTHER FINANCING SOURCES (USES):						
Support From (To) State General Fund	572,233	643,212	70,979			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	-0-	-0-	-0-	(1,475)	(2,025)	(550)
FUND BALANCE - July 1, 1980	-0-	-0-	-0-	8,952	8,952	-0-
Adjustment to Fund Balance - July 1, 1980				5,681	5,681	-0-
Adjusted Fund Balance - July 1, 1980				14,633	14,633	-0-
FUND BALANCE - June 30, 1981	$ -0-	$ -0-	$ -0-	$13,158	$12,608	$ (550)

The accompanying notes are an integral part of this statement.

DEPARTMENT OF INSTITUTIONS

CENTER FOR THE AGED

Notes to the Financial Statements

Two Fiscal Years Ended June 30, 1982

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS) reports.

A. Basis of Presentation

The accounts of the state of Montana are, by statute, organized in the fund structure listed in section 17-2-102 (temporary), MCA. For fiscal years 1980-81 and 1981-82 accounting transactions for the center were recorded on the basis of that structure. However, the financial statement presentation is made on the basis of section 17-2-102 (effective July 1, 1983), MCA.

B. Fund Structure

For financial presentation purposes, funds have been classified in accordance with Governmental Accounting, Auditing, and Financial Reporting, Statement 1. The funds and account groups presented, their relationship to the state treasury fund structure, and their purposes follow:

1) General Fund - To account for all financial resources not accounted for in another fund. This fund corresponds to the state General Fund within the state treasury fund structure.

2) Special Revenue Fund - To account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Activities in this fund incorporate federal funds received by the center, plus funds received from donations, a revolving account for operations of the center's Canteen and funds for Bond Proceeds and Insurance Clearance Fund.

3) Trust and Agency Funds - To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. This fund contains agency funds and is used to account for assets held by the state as an agent for residents of the center. A checking account is maintained in a local bank with individual ledger records at the center.

4) General Fixed Assets - To account for fixed assets and equipment owned by the center. Fixed assets are valued at historical cost or estimated historical cost.

C. Basis of Accounting

The state of Montana utilizes the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when received in cash, unless susceptible to accrual or deferral, and expenditures are recorded when a valid obligation is incurred. Revenues are susceptible to accrual if they are measurable and available to finance expenditures of the fiscal period or are not received at the normal time of receipt. Revenues are deferred if material and received before the "normal" time of receipt or if received for a particular activity and the expense for the activity has not been incurred prior to fiscal year-end.

With the following exceptions to the modified accrual basis of accounting, a valid obilgation exists when the associated liability is incurred:

--The liability amount associated with unused accumulated vacation and sick leave at June 30, 1982, is maintained on an hourly basis rather than by dollar amount. The monetary liability is not calculated until an employee terminates. Upon termination, qualifying employees are paid at their current pay rate for 100 percent of accumulated vacation and 25 percent of unused sick leave.

--If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

--The anticipated cost of equipment is expensed in the fiscal year in which budgeted.

--Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

2. BUDGET INFORMATION

A fixed annual basis of budgeting is utilized. Under the fixed annual method, appropriations of specific dollar amounts are set for each fiscal year of a biennium by the Legislature. Appropriations control financial operations during each fiscal year. At the end of each year, General Fund and Special Revenue Fund appropriation authority reverts to the fund of original appropriation. The reverted appropriation authority may be used in the subsequent year as authorization for valid prior year obligations. Budget amendments represent the authorization to spend funds not available for consideration by the Legislature. They are subject to approval of the Governor.

3. INVENTORY

Inventory is valued at the most recent price paid for each item. This method approximates FIFO in that the inventory at the center is generally comprised of rapid turnover items.

4. VACATION AND SICK LEAVE

Liability incurred for employees' unused vacation and sick leave is not recorded. The related expenditures are recorded when paid. Upon termination, qualified employees having unused accumulated vacation and sick leave receive 100 percent payment for vacation and 25 percent payment for sick leave. The liability amount associated with unused accumulated vacation and sick leave

at June 30, 1982, is maintained on an hourly basis and is not readily determinable.

5. EMPLOYEES' RETIREMENT SYSTEM

The center's employees are covered by the Public Employees' Retirement System (PERS). Under the plan, the center contributed 6.2 percent of employees' gross wages during fiscal year 1980-81 and 6.32 percent during fiscal year 1981-82. Employees contributed 6.0 percent of their gross wages to PERS.

An independent actuarial study of PERS was performed and as of July 1, 1982, the system was determined to be actuarially sound. The unfunded past-service costs and the actuarially computed value of vested benefits were not readily available for members of the plan employed by the center.

6. CONTINGENT LIABILITIES AND CLAIMS

The litigation involves Warm Springs State Hospital as a defendant in a class action suit instituted by patients at the hospital. The suit alleges that the State Hospital lacks the necessary legal authority to control patients' money and to pay reimbursement charges. The outcome of this suit is uncertain at the date of this report. Pending settlement of the suit, the center has withheld payment to the General Fund in the amount of $609,265.

7. CAPITAL PROJECTS

The center had two capital projects completed during fiscal years 1980-81 and 1981-82. The following is a schedule of expenditures made on each project:

	Boiler and Kitchen Vents	Paving and Draining
Appropriation	$35,000	$178,679
Expenditures:		
Fiscal Year 1979-80	3,113	14,312
1980-81	28,889	162,288
1981-82	-0-	2,079
Total	$32,002	$178,679
Unexpended Balance	$ 2,998	$ -0-

8. DONATIONS

The donation's accounting entity has been reclassified from the Agency Fund to the Special Revenue Fund. Donations received by the center become revenue of the state and therefore are not property to be held in trust in the Agency Fund. Because these funds were classified as agency funds there was no appropriated budget made. $2,735 was expended in fiscal year 1980-81 and $1,221 in fiscal year 1981-82. Property Held in Trust for the donation's accounting entity was reclassified as Fund Balance in the Special Revenue Fund. This increased Fund Balance by $5,681, $2,946, and $5,522 at June 30, 1980, 1981 and 1982, respectively.

9. CHANGES IN GENERAL FIXED ASSETS

The following is a statement showing the additions and deletions to General Fixed Assets for the two years ending June 30, 1982:

Balance - June 30, 1980	$2,248,892
Additions	302,129
Deletions	(2,386)
Balance - June 30, 1982	$2,548,635

MONTANA CENTER FOR THE AGED
SCHEDULE OF FEDERAL GRANT
TWO YEAR PERIOD ENDING JUNE 30, 1982

Grant	Receipts	Disbursements
Health and Human Services Contract #R-08-80-1320	$2,605	$2,605
TOTAL	$2,605	$2,605

This schedule is prepared recording receipts on the cash basis. Disbursements include expenditures and valid obligations incurred during the period.

NOTE: The Center for the Aged received and disbursed an additional $374 of state assistance for a total of $2,979.

AGENCY RESPONSE

DEPARTMENT OF INSTITUTIONS

TED SCHWINDEN GOVERNOR

1539 11TH AVENUE

STATE OF MONTANA

(406) 449-3930

HELENA MONTANA 59620

May 12, 1983

RECEIVED
MAY 13 1983
MONTANA LEGISLATIVE AUDITOR

Legislative Audit Committee
of the Montana State Legislature
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Gentlemen:

We have reviewed the audit report prepared by the Office of the Legislative Auditor for the Center for the Aged.

The report provides a very welcome service and is sincerely appreciated.

Our response to recommendations is attached.

Sincerely,

CARROLL V. SOUTH
Director

CVS:bt

Attachment

CENTER FOR THE AGED
Response to audit report

RECOMMENDATION #1

We recommend the Center:

A. Record and maintain adequate documentation for all entries to the Resident Account System.

B. Continue to reconcile the Resident Checking Account with bank records monthly.

C. Resolve and document funeral refunds.

RESPONSE

A. The Center concurs with this recommendation. It has been implemented.

B. The Center concurs with this recommendation. It has been implemented.

C. The Center concurs with this recommendation. The funeral homes were contacted by letter and the money was returned by them to the Center.

RECOMMENDATION #2

We recommend the Center monitor appropriation balances more closely to avoid exceeding appropriation authority.

RESPONSE

The Center concurs with this recommendation.

RECOMMENDATION #3

We recommend the Center:

A. Compare SIMS listings to supporting documentation to ensure all additions and deletions are properly recorded.

B. Keep adequate records on file showing that assets deleted were properly disposed of in accordance with state policies.

C. Record donated assets at their fair market value in accordance with generally accepted accounting principles.

D. Reconcile the SIMS records to the Center's accounting system and make any necessary corrections.

RESPONSE

The Center concurs with these recommendations.

RECOMMENDATION #4

We recommend the Department of Institutions, Central Office, establish procedures to ensure all prescription charges are billed.

RESPONSE

The Department concurs with this recommendation and will work with the Center to establish procedures which will ensure all prescription charges are billed.

RECOMMENDATION #5

We recommend the Center account for donations in a Special Revenue Fund.

RESPONSE

The Center concurs with this recommendation.

RECOMMENDATION #6

We recommend the Center evaluate all available options and correct the malfunctioning fire alarm system using the most effective and economical option.

RESPONSE

The Center concurs with this recommendation. The evaluation has already been completed and the Center is in the process of contracting for the repair work.